

28 November 1961

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MEMORANDUM FOR: Chief, T & S Branch, PD/OL

SUBJECT : RD-137, T.O. #3, [REDACTED]

25X1A

1. Reference is made to contractor's letter of July 18, 1961, a copy of which you forwarded to us by official routing slip dated July 27, 1961.

25X1A 2. Contractor was guilty in this case of many of the same faults noted in Task Order 2. However, on September 22, 1959, not very long after the false start had been recognized, contractor notified us that it had grossly underestimated costs and would require approximately [REDACTED] additional to complete the job properly. After this, we continued to monitor the work through its ups and downs and finally accepted delivery on April 28, 1960, at which time the items were declared satisfactory and payment was recommended.

25X1A 3. Contractor's letter of July 18, 1961 reports total costs incurred of [REDACTED]. At the same time it requests additional funding only up to the total estimated in the September 22, 1959 letter, i.e. [REDACTED]. This is some [REDACTED] less than the claimed total of costs incurred but is [REDACTED] more than the amount now in the contract. There is apparently no audit verification of contractor's report of total costs incurred and therefore we cannot be sure that contractor's figures are correct. However, considering all of the circumstances, the early notification by contractor of the certainty of a substantial overrun, our continuance with the work after receipt of the notification and acceptance of the product as satisfactory when finally delivered and contractor's apparent willingness to discount the costs by some 27%, we come reluctantly to the conclusion that some reconsideration of the proposed settlement figure may be in order.

25X1A 4. If, therefore, the total costs incurred is established by audit at substantially the figure reported by contractor, i.e. [REDACTED] we would be agreeable to an upward adjustment in the total of costs accepted to a maximum of not to exceed [REDACTED]. If the total of costs incurred is found by audit to be less than the

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figure reported by contractor, then the maximum to be accepted should be reduced by a like amount. Any upward adjustment of the acceptable costs, however, should, we believe, be tied in with and conditioned upon contractor's acceptance of settlement under T.O. #2 in the amount of the current proposal of [REDACTED] as discussed in our memo of this date on that Task Order. A release from contractor in the appropriate amount on each case should be obtained as a result of the further negotiations.

5. If a settlement, as outlined above, can be worked out, the requisite additional funds for this case, up to a maximum of [REDACTED] will be forthcoming.

[REDACTED]  
Chief, Administrative Staff, NPIC

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